

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

**Notice of Market-Dominant
Price Adjustment**

Docket No. R2012-3

**COMMENTS OF THE NATIONAL ASSOCIATION OF PRESORT MAILERS
(NOVEMBER 7, 2011)**

By Order No. 921, dated October 21, 2011, the Postal Regulatory Commission invited comments on the United States Postal Service's October 18, 2011 Notice of Market-Dominant Price Adjustment (Notice). The National Association of Presort Mailers (NAPM) respectfully submits these comments in response to Order No. 921.

1. Blended Second-Ounce Rate

NAPM supports the Postal Service's introduction of a new blended rate for second-ounce First-Class Mail Presort Letters. Making the second-ounce pricing of this product more attractive enhances the value of transpromotional mail and could stimulate an increase in second-ounce Presort Letter volumes. The NAPM believes this proposal could and must be further improved to achieve its full potential.

First, although the second-ounce pricing structure is helpful, the benefits of this initiative would be even greater if the Postal Service did not attempt to make up the loss in second-ounce revenue with above average price increases on first-ounce Presort Letters. This diminishes the value of the change and merely shifts the expense among presort mailers.

Second, as proposed, the blended second-ounce rate proposal would impose tremendous, albeit unintended, burdens on mail service providers and the Postal Service in connection with the identification, processing, verification, and reconciliation of residual second-ounce mail pieces that cannot qualify for an automation mailing and thus must pay the additional-ounce rate. The costs imposed on mail service providers, mailers, and the Postal Service would dramatically exceed the relative value of capturing the additional ounce postage for residual pieces falling out of automated mailstream in a comingled mail environment. NAPM has already initiated its outreach to the Postal Service to address this inadvertent program flaw. We are committed to identifying a collaborative solution that will meet the needs of mail service providers, the Postal Service, and our shared customers.

2. First-Class Mail Presort Prices

NAPM has two serious reservations about the proposed prices for Presort Letters. First, the proposed price adjustments place a disproportionate burden on Presort Letters. Presort letters are more profitable and more price sensitive than Single-Piece Letters, yet the price adjustments raise prices more on first-ounce Presort Letters than on Single-Piece Letters. These price signals are self-defeating. The Postal Service cannot hope to reverse or slow recent mail volume declines with successive above average price increases on its most profitable product – Presort Letters.

Second, NAPM cannot support the proposed adjustments to the AADC / 3-Digit and 5-Digit Automation Letters prices. The changes, which reduce the incentive to presort to 5-Digit, send the wrong message. Pricing to help the Postal Service absorb excess capacity is not the direction that the Postal Service should be headed. It is

important to all of our member companies that the postal system remains as efficient and as cost effective as it can be. Instead of pricing for capacity, the Postal Service needs to manage their capacity to meet the needs of their customers. This is the only path to long-term financial stability for the Postal Service.

Respectfully submitted,

National Association of Presort Mailers

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